

Issue 49: INSIDER'S EDGE: Seeking an exemption from the individual mandate

Welcome back to the first February edition of the Insider's Edge! No, it's not still Groundhog Day. (Although, that Sonny and Cher song *may* have been playing on my alarm clock this morning....Hmm.) Even so, there are a few things about today's issue that might feel just a bit familiar! Why? Because today's edition returns to one of everyone's *favorite* topics—that's right, the IRS and tax penalties.

Wait! Keep reading! While some details may be familiar, there's new information you need to know!



No need to stress! As usual, Medicaid Marge will help keep the information simple!

Remember, under the ACA's individual mandate, everyone under sixty-five **MUST** have health coverage—either through Medicaid or a private insurance plan. Individuals who elect *not* to get health insurance in 2014 may face a tax penalty. Like every rule, there are a few exceptions to this one. Some individuals may be eligible to apply for an exemption.

How can someone apply for an exemption from the tax penalty?

Although the goal is that nearly everyone in Maryland will have health coverage, some people in certain circumstances will *not* be assessed a tax penalty for not having coverage. Last month, CMS posted the applications consumers must use to apply for an exemption from the tax penalty. Links to the applications for some of the types of exemptions you may receive questions about are included below.

- [Individuals who experience financial hardship due to very low income and coverage is considered unaffordable](#)
- [Individuals who have religious objections](#)
- [Individuals who belong to a Health Care Sharing Ministry](#)
- [Members of a federally recognized Indian tribe](#)
- [Incarcerated individuals](#)
- [Consumers who have to pay more than 9.5% of their income for the lowest-cost plan option](#)

Are there any individuals who are exempt from the tax penalty who do not need to apply for an exemption?

Yes. Certain individuals are exempt from the individual mandate, but do not need to apply for an exemption, including:

- Undocumented immigrants
- Individuals who experience short gaps in coverage (uninsured for less than 3 months of the year)
 - The gap in coverage will be handled when the individual files their taxes.
 - *Note:* If an individual has more than one short coverage gap during a year, the short coverage gap exemption only applies to the first gap. The individual may face a penalty for subsequent gaps in coverage unless they file for an exemption.
- Individuals with incomes below the tax-filing threshold (roughly \$10,000 for individuals and \$20,000 for married couples)
 - If the individual does not plan to file a federal income tax return because their income is below the filing threshold, they do not need to apply for an exemption.
 - Individuals who are not required to file a tax return but file one anyway will be able to claim the exemption on their tax return.
 - Individuals who aren't sure whether they will file a tax return because their income may exceed the tax-filing threshold should apply for an exemption.

How much will the penalty be if someone doesn't have health coverage?

In 2014, the penalty will be the greater of 1.0% of taxable income or \$95 per adult and \$47.50 per child (up to \$285 per family).

In 2015, the penalty will be the greater of 2.0% of taxable income or \$325 per adult and \$162.50 per child (up to \$975 per family).

In 2016, the penalty will be at the greater of 2.5% of taxable income or \$695 per adult and \$347.50 per child (up to \$2,085 per family).

Individuals will not have to pay a penalty until they file their 2014 federal income tax return in 2015.

Need a refresher on how the tax penalty works? Check out *Issue 23: INSIDER'S EDGE: Don't forget your health insurance!*

Questions? Send me a message, dhmh.medicaidmarge@maryland.gov.